Montana
Health Care
ASSOCIATION

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HB

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JOINT APPROPRIATION SUBCOMMITTEE ON HEALTH AND HUMAN SERVICES

January 25, 2011

HB 2 - Section B
Nursing Homes and Assisted Living

The Montana Health Care Association (MHCA) represents nursing homes and assisted living facilities throughout the state of Montana.

Who we serve – the most frail and needy older Montanans. Montana's nursing homes provide care to our most vulnerable elderly - people who can no longer care for themselves. When even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help. Because of their many needs, these individuals require 24-hour care and are not candidates for other less intense services. Normally, these individuals have used all of their savings paying for their care, have sold their homes and have otherwise impoverished themselves. Any income, including their social security checks, are applied to the cost of their care. They get to keep $50 per month to meet any personal needs they may have such as shoes, clothing, hair cuts and the like. These are people who have worked hard all their lives, paid taxes and contributed to their communities, but now they are old and sick and need our help.

The role of Medicaid in nursing homes - 60% of our customers are on Medicaid. The state of Montana - through the Medicaid program - has taken on the responsibility of paying for the care of those who cannot afford their own care. Over 60% of the people in our nursing homes are on Medicaid. Because so many of those we care for are on Medicaid, and because the state has accepted responsibility for those on Medicaid, the state is our partner in assuring that these people get good care. Our ability to hire enough staff and to pay them a living wage, as well as our ability to pay our other expenses, is all dependent on whether the state pays us enough to get the job done.

Impact of inflation - what happens when Medicaid fails to recognize our cost increases. We are experiencing large increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor and basic every day necessities. Our facilities are struggling. Some have reduced hours and staff, frozen wages, or taken other steps to reduce costs. Some have increased the rates of those who pay for their own care, and some have asked local taxpayers to provide additional support.

The cost increases we are experiencing are real and do not disappear because the legislature doesn't provide adequate funding. We will be forced to make cuts that affect the basic care to our residents - unless the legislature adds funding to HB 2 to account for our higher costs.

Cost of state owned and operated nursing home. The state knows full well what it takes to operate a nursing home. The state operates a nursing home in Columbia Falls. The budget for that

facility has been increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The state is doing the right thing in that facility - they are providing excellent care. But, the state is currently spending about $270 per day of care in its own nursing home, while asking other nursing homes to do the job for $160 per day. The Governor's budget proposes to provide increased funding to its state operated nursing home to account for inflationary pressures.

Governor's budget and legislative action to date. The Governor proposes to cut nursing home rates by 2% (about $4.4 M over the upcoming biennium) and also proposes to cut funding for direct care workers by $11.4M over the biennium. The 5% cuts approved by the subcommittee removes an additional 3% from the nursing home budget or about $7.5 M. Nursing home facilities and workers will receive about $23.3 M less over the next biennium than they received this biennium unless this funding is restored.

Need for assisted living rate increase. Assisted living facilities are largely a private service with most clients paying for their own care. However, assisted living facilities serve a small number of Medicaid beneficiaries under the Medicaid waiver program. The rates to assisted living facilities are so low that the facilities limit the number of Medicaid residents they are willing to take. Interestingly enough, DPHHS stresses the need to serve individuals in settings other than nursing homes through their home and community based services waiver (HCBS). Half of the people on the waiting list for HCBS and many of those who move to community based settings through the nursing home transition program need assisted living services - yet there are access problems because of the low rates. The 2009 legislature appropriated funds to help increase access to assisted living services by waiver clients. Any cut in rates for assisted living is likely to reduce access to assisted living services for waiver clients.

What can we cut in lean times? We know these are lean times - but in a 24 / 7 care facility what do you expect us to cut? We can't turn the heat down because older people get chilled easily. We can't dim the lights because many of the people we care for have poor eyesight. We don't have a lot of ability to lower our food costs because there are nutritional standards we must meet. When we cut hours and staff - care suffers - and it is counter productive in terms of the economy. We can charge those who pay for their own care more and more and more, but we're reaching a saturation point on that. In some of the rural areas, mill levies are put on the ballot to keep the local nursing home open - forcing local taxpayers to pay more because Medicaid won't pay the cost of care.

State agencies receive inflationary increases as part of "current level". Quite frankly, it is frustrating to see government agencies receive inflationary increases as part of "current level" - to account for cost increases they know are coming - while those of us in the private sector have nothing for inflation in our current level appropriations.

Thank you for the opportunity to provide this information.

Rose M. Hughes, Executive Director
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PROPOSED CUTS IN MEDICAID REIMBURSEMENT
and
COST vs. RATE INFORMATION - NURSING HOMES

Cuts proposed include:

Rate decrease	-$ 4.4 M over the biennium
Direct care wage funding	-$11.4 M over the biennium
5% cuts	-$ 7.5 M over the biennium
Current status	***-$23.3 M over the biennium (all funds)***

The following chart shows the rate decreases proposed in the Governor's budget for nursing homes. It also shows our projections of actual costs of providing care to Medicaid beneficiaries. It does not include the 5% cuts which would be over and above what is shown below.

Applying a modest inflationary increase of 2% per year to current costs, we project our actual costs for the 2013 biennium to be:

FY2012	$183.18
FY2013	$186.83

State Fiscal Year	Medicaid Rate	Cost of Care Per Patient Day (Projected)	Rate vs. Cost Comparison
2011 (current)	**$164.02**	**$179.58**	**($15.56)**

State Fiscal Year	Medicaid Rate Governor's Budget	Cost of Care Per Patient Day (Projected)	Rate vs. Cost Comparison (before IGT)
2012	**$161.92**	**$183.18**	**($21.26)**
2013	**$162.52**	**$186.83**	**($24.31)**

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NURSING HOMES

MEDICAID REIMBURSEMENT RATE - FY 2011

GENERAL FUND IMPACT

TOTAL AVERAGE RATE*	$164.02	
Paid by patient	29.80	(18.2%)
Paid by bed tax on nursing homes	13.53	(8.3%)
Paid by State	30.92	(18.8%)
Paid by Federal government	89.77	(54.7%)

**does not include IGT payments which have not yet been made (FY11 payments are projected to be about $2 ppd for non-county facilities and $5 ppd for county facilities.)*

Assumptions based on DPHHS projections:

Medicaid days	1,080,661
Total days	1,760,406
Bed tax	$8.30 ppd
FMAP	.3312

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NURSING HOME - PROVIDER TAX AND INTERGOVERNMENTAL TRANSFERS (IGT).

Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about $14.6 M annually. This money is used - instead of state general funds - to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid reimbursement rates.

Counties with nursing homes have also helped fund Medicaid rates for nursing homes through the intergovernmental transfer program. Counties provide funding to the state and the funds are used to match with federal funds to enhance Medicaid payments to nursing homes. About $800,000 of funding from the IGT program are diverted from the lump sum payments to nursing homes and are used instead to support the base rates in the nursing home and community services programs. Changes at the federal level have reduced this program to a point where it is difficult for some counties to fully participate. If counties continue to participate, this program provides about $5 per patient day to county facilities and about $2 per patient day to non-county facilities - as lump sum payments.

The provider tax and the IGT program were both implemented to help assure that rates paid to nursing homes cover the actual cost of providing care to nursing home beneficiaries.

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DIRECT CARE WAGE INCREASES

Nursing homes have worked hard with help from the legislature in the form of funds directed to wages, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract needed staff, particularly CNA's. Our workers provide the most basic and intimate types of care to residents no longer able to do them for themselves. They tend to their personal hygiene needs as well as other physical, emotional and spiritual needs - often taking the place of absent family. This work can be back-breaking and physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.

The 2009 legislature appropriated about $10M over the current biennium to be used for wages and/or lump sum payments to nursing home workers. The funding was OTO (one time only) but there can be no doubt that the workers who received it used it the way they would use any other compensation. This money is not included in the Governor's budget and these workers will in effect earn $10M less over the next biennium than they did over the current biennium. If rate cuts also take effect, the impact on workers could be even greater.

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MONTANA VETERANS HOME - what does it cost to provide nursing home care at the state operated nursing home?

The cost per patient day at MVH for FY 11	$272.00
Average nursing home rate from Medicaid FY11	$164.02
Case mix index (acuity) at MVH for FY11	.9238
Case mix index (acuity) statewide average FY11	1.0008

Over the last few years MVH, through its budget requests, has brought many issues to the committee - difficulty recruiting and retaining licensed nurses and CNAs, need for more staff because patient acuity is increasing, the need for upkeep and renovations of the physical plant, and the need for resources to provide for adjustments in operating costs including inflationary increases.

An inflationary increase is included in the Governor's budget to fund increases in operations, medical and pharmacy costs for the state-run veterans home in Columbia Falls. The amount of money is about $336,000 the first year of the biennium carried over to the second year. This amounts to about a $10 per patient day increase to this facility.

Rather than the cuts being proposed for nursing homes over the next biennium you would have to increase funding to nursing homes by about $20 M over the biennium to provide an increase similar to what is being proposed for the state facility.

Through various funding sources, the state and federal government pay the full costs of running and staffing this facility - costs that are about $272.00 per day of care for FY 11 (according to the LFA analysis)..

The average Medicaid rate paid to other nursing homes around the state currently (FY 11) is $164.02 per day of care and the average costs in our facilities are about $179 per patient day.

Clearly, MVH is able to spend over $100 per patient day more than other nursing homes. This means higher staffing ratios, more benefits, etc. And this differential is true despite a case mix index (CMI) of .9238 for MVH and 1.0008 (average) for other nursing homes.

MVH is licensed as a nursing home, is required to meet the same regulatory standards as other nursing homes, and has residents who have lower acuity (care needs) than other facilities. So, if MVH needs an inflationary increase to deal with expected cost increases, imagine how difficult it will be for other facilities around the state to experience cuts in their rates and direct care wage funding!

The MVH is used in this example, not to question their need for funding, but to point out the difficulty ALL nursing homes are experiencing and the inadequacy of Medicaid rates for nursing homes throughout the state.

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